

Message Text

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10
ACTION L-03

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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 4177
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LIMITED OFFICIAL USE JAKARTA 5730

E.O. 11652: N/A
TAGS: PGOV, PFOR, ID
SUBJECT: CABINET TASK FORCE ON QUESTIONABLE PAYMENTS ABROAD:
INDONESIAN LAWS

REFS: (A) STATE 094647 (NOTAL), (B) 75 STATE 258169, (C) 75
JAKARTA 13983

1. FOLLOWING ARE ANSWERS TO QUESTIONS IN REFEL PARA 2 A-F:
 - A. YES
 - B. YES
 - C. UES, IN PRACTICE, ALTHOUGH RULES ARE NOT EXPLICIT IN CASE OF SALES. NO, IN CASE OF INVESTMENTS; BUT VIRTUALLY ALL FOREIGN INVESTORS MUST ENTER INTO JOINT VENTURES WITH INDONESIAN PARTNERS.
 - D. YES, BUT ONLY BY FOREIGN SOURCES, UNLESS GOVERNMENT CONSENTS.
 - E. NO.
 - F. NO, AS FAR AS EMBASSY CAN DETERMINE.

2. BRIEF SUMMARIES OF LAWS OR REGULATIONS GOVERNING A-F ABOVE FOLLOW:

A. PAYMENTS TO OFFICIALS: ANTI-CORRUPTION LAW NO. 19, 1971,
CH. 11 0-45 1 (1)(C)(D) PENALIZES OFFER OR GIVING OF MONIES ETC.
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TO OFFICIALS, AND RECEIPT BY OFFICIALS, TO INFLUENCE OFFICIAL

ACTIONS.

B. DISCLOSURE OF PAYMENTS: PART 1 (1)(E) OF ABOVE SECTION
REQUIRES OFFICIAL TO DISCLOSE OFFER OR GIFT TO SUPERIORS.

C. AGENTS: A SERIES OF REGULATIONS RESERVE IMPORT TRADE
SECTOR FOR INDONESIAN BUSINESSMEN. REGULATIONS CAN BE INTERPRETED
TO REQUIRE USE OF SUCH IMPORTER/AGENTS FOR ALL IMPORT SALES.
REGULATIONS DO NOT DISTINGUISH BETWEEN SALES TO PRIVATE AND
GOVERNMENT ENTITIES. IN PRACTICE, IMPORTER/AGENTS ARE USED IN ALL
CASES. (SEE REF C) UNDER GENERAL GOI INVESTMENT POLICY, VIRTUALLY
ALL FOREIGN INVESTORS MUST AFFILIATE WITH LOCAL JOINT VENTURE
PARTNERS.

D. POLITICAL CONTRIBUTIONS: CHAPTER VI, PART 12 OF 1975
LAW NO. 3 "POLITICAL PARTIES AND GOLKAR" PROHIBITS "AID" FROM
FOREIGN SOURCES TO POLITICAL PARTIES OR GOLKAR, THE GOVERNMENT
POLITICAL GROUPING. THIS SECTION QUALIFIES CH. V. PAR II WHICH
PERMITS PARTIES TO OBTAIN FINANCING, INTER-ALIA, FROM "UNTIED"
SOURCES IN GENERAL. "EXPLANATION" FO CHAPTER VI, HOWEVER, SAYS
PARTIES MAY RECEIVE AID FROM FOREIGN SOURCES AFTER OBTAINING
"CONSENT" OF GOVERNMENT.

E. DISCLOSURE OF POLITICAL CONTRIBUTIONS: THE 1975 LAW CITED
ABOVE DOES NOT MENTION DISCLOSURE.

F. PAYMENTS TO PRIVATE COMPANIES: LEGAL SOURCES CONTACTED
BY THE EMBASSY HAVE NO KNOWLEDGE OF SUCH LAWS OR REGULATIONS,
AND NONE ARE BELIEVED TO EXIST. OFFICERS OF STATE OWNED COMPANIES,
WHICH PLAY VERY LARGE ROLE IN INDONESIAN ECONOMY, ARE CONSIDERED
GOVERNMENT OFFICIALS UNDER 1971 ANTI-CORRUPTION LAW CITED PARA 1.

4. UNOFFICIAL TRANSLATION OF 1971 ANTI-CORRUPTION LAW, AND
EARLIER LAW, SECTIONS OF WHICH ARE INCORPORATED BY REFERENCE
THEREIN, AND CHS. V, VI OF LAW ON POLITICAL PARTIES, BEING
POUCHED.
NEWSOM

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